



## Senate Bill 14 Homeowners Insurance One Year Later

**A**S A RESULT of Senate Bill 14, enacted by the 78th Legislature in 2003, all home and auto rates, including homeowner Lloyds and county mutual auto rates, are now subject to rating standards. The standards are summarized by four criteria: rates must be reasonable, not excessive, adequate and not unfairly discriminatory. Texas Department of Insurance (TDI) actuaries are able to numerically quantify these standards and apply them to all insurance filings. Today, all rates in Texas must be justified and, when they are not, TDI will take action to bring them in line. This is a far-reaching principle that ensures a level playing field for all consumers.

One year after the historic reforms of SB 14, Texans are benefiting from lower homeowners insurance rates, fair rating standards, and stability in a market that had seen double digit premium increases for several years.

Prior to the last legislative session, TDI reported to the Legislature that homeowners rates were continuing to increase in Texas and that many of those increases were excessive. However, due to the Lloyds exception, the Department had no regulatory authority over 95 percent of the homeowners market in Texas. The Legislature's response, in the form of Senate Bill 14, brought all insurance rates in Texas under fair rating standards, giving TDI the tools necessary to ensure that all Texans are paying fair and reasonable rates for homeowners insurance.

In August 2003, TDI reviewed the rates of 61 insurance company groups. Thirty company groups were ordered to lower their rates. The maximum reduction ordered was 31 percent and the average reduction was 12.5 percent. These reductions added up to more

than \$500 million in savings for Texas consumers. Twenty-two companies accepted the one-time reduction while six companies took a partial phased-in approach. Two company groups, State Farm Insurance and Farmers Insurance Group, appealed their ordered reductions to state district court. At press time, those appeals are continuing.

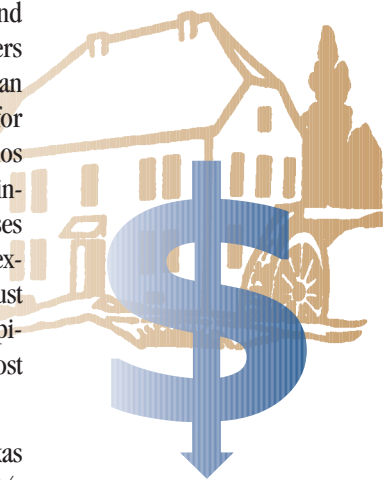
In the midst of these industry changes, insurance companies have continued their strong performance since coming out of the mold crisis in 2000 and 2001. Combined first and second quarter loss ratios for Texas insurers in 2004 averaged 38 percent, meaning an average of 38 cents was paid out in losses for each dollar of premium received. Loss ratios do not tell the complete story regarding insurer profits, however, since other expenses such as agent commissions, operating expenses and provisions for catastrophes must be added in. Such additional expenses typically add 45-50 percent to an insurer's cost of doing business.

Even with these additional expenses, Texas insurers are on track to see profits in 2004. This return to profitability should signal lower rates for consumers in the near future. TDI will be closely monitoring the market to ensure that the industry responds to the improving market conditions by competing for customers, with better rates and more product choices.

### Credit Scoring

The use of insurance credit scores to underwrite and price insurance products has been a controversial issue nationwide, and SB 14 mandated some of the strongest consumer protections in the country. In addition, all companies using credit scoring in their

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## Commissioner'sInSight

By **Jose Montemayor**,  
Texas Insurance Commissioner

# Loss Ratios Indicate Good News for the Industry and Consumers

**S**ECOND QUARTER 2004 financial results reported to TDI indicate a number of Texas homeowners insurance providers are improving their loss ratios—a result of efforts to improve underwriting and a quiet storm season during the first half of the year. The average loss ratio for homeowners insurance companies for the first two quarters of 2004 is 38 percent.

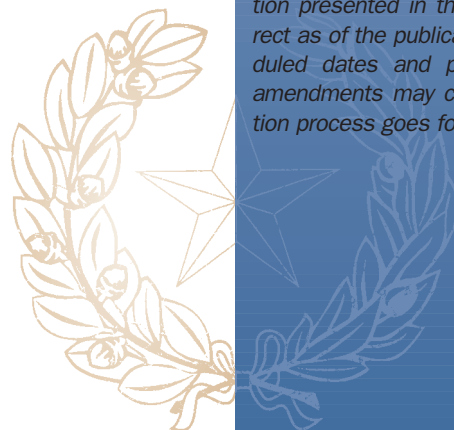
These second quarter reports present an indication of improving conditions, but are only part of the picture and can not be used to set or determine rates. The reports do not include additional expenses such as agent commissions, companies' operating expenses or the provisions for the inevitable catastrophe and natural disasters such as tornadoes, hail storms and hurricanes. These additional expenses typically add another 45 to 50 percent to an insurer's overall cost of doing business.

We are very optimistic about these numbers. They validate the historic rate reductions we ordered last year which were beginning to be reflected in the first two quarters. With the tropical storm season winding down, we would expect Texas insurers to respond to the improving market conditions with increased competition for customers, offering better rates and more choices for most policyholders.

The improved market conditions in Texas this year represent a dramatic change from the experience of insurers in recent years when many faced huge losses from severe weather and water-claims resulting from the perceived mold crisis.

We understand the anticipated changes may not happen overnight, after all many of the final rate reductions are still being phased in, but I expect market competition to work. If it does not, we are prepared to intervene as necessary.

The improved financial status is also good news for Texas consumers. The average loss ratio is strong evidence that the rates we approved were fair, reasonable, not excessive and appropriate. Any disputes about the fairness of the rate reductions we ordered have now been resolved with these loss ratio indicators. It's time for all companies to make the adjustments so Texas homeowners can enjoy the success of our insurance reforms.



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The staff that prepares this newsletter has no role in proposing, drafting, editing, or approving TDI rules or policies or interpreting statutes. **TDInSight** should not be construed to represent the policy, endorsement or opinion of the Commissioner of Insurance or the Texas Department of Insurance.

By necessity, summaries of proposed and adopted rules cannot explain their full complexity. Readers interested in complete information about administrative rules should consult the versions published in the Texas Register.

To the best of the staff's ability, information presented in this newsletter is correct as of the publication date, but scheduled dates and proposed rules and amendments may change as the adoption process goes forward.

# TDI Responds to Storm Battered Florida

**A**NSWERING A CALL for help in the wake of four hurricanes, the Texas Department of Insurance has agreed to send disaster response teams to assist Florida's Department of Financial Services (DFS), the state's insurance regulatory agency, in managing the unprecedented consumer demand for insurance services.

Eight teams, consisting of seven to 10 agency volunteers each, are being trained and dispatched for two-week intervals, on a rotating basis, to the Pensacola and West Palm Beach areas to assist Floridians impacted by the recent hurricanes. Each team is scheduled to remain in Florida for two weeks before being relieved by a subsequent team. The first team of volunteers arrived on the scene September 29. Teams of TDI employees are expected to rotate through the end of November.

Team One members returned to Austin on October 11 and reported that their services were in great demand at the Disaster Recovery Centers (DRCs). Lynda Hermes, the team leader for the first team of TDI volunteers, said the most common issue the disaster volunteers encountered was that many people who had been impacted by the flooding that followed the hurricanes lacked flood insurance. Some consumers who had flood insurance did not have contents coverage on their flood policy. Many of these consumers said they assumed flood-damaged contents would be covered by their regular homeowners policy. Homeowners policies do not cover damage caused by rising waters, however, and separate coverage is required from the National Flood Insurance Program. One of the primary responsibilities of the TDI volunteers was to help Florida consumers understand what their homeowners policies will cover and to help facilitate any claims-related issues or problems.

Along with their regular duties at the DRCs, members of the TDI team have also attended

town hall meetings to help answer questions and get a better understanding of the residents' immediate needs. The TDI volunteers are working closely with Florida DFS staff, representatives of the Federal Emergency Management Agency, which operates the DRCs, and representatives of insurance companies.

TDI employees have received high praise for their professionalism and tireless efforts in the field. Several other states including Arkansas, Louisiana, New York, Virginia, and Georgia have also answered the call for help and currently have staff stationed in Florida to assist with the disaster response. Additional staff from South Carolina, Utah, and Idaho are expected to arrive shortly. DFS reports that the assistance supplied by Texas and other states has not only been a great help to Florida consumers, but to Florida DFS staff as well. The arrival of out-of-state volunteers allowed some DFS staff to have their first day off in more than a month.

Since hurricane season began, Florida has been battered by hurricanes Charley, Frances, Ivan, and Jeanne. The hurricanes caused widespread damage throughout Florida, from the Pensacola area in the Florida Panhandle to the Florida Keys. As a result of the devastation, 42 DRCs and several mobile units are operating in the state. 🌀







## **Commercial Multi-Peril**

### **APA Proposal**

#### **File and Use**

- ▶ The Texas Department of Insurance is proposing new rules concerning the rating of commercial multi-peril policies. Senate Bill (SB) 14, enacted by the 78 th Legislature, Regular Session, 2003, amended various provisions of the *Texas Insurance Code*. These legislative amendments added several lines of insurance previously subject to prior approval rate regulation to file and use rate regulation. To conform to the regulatory changes enacted by SB 14, new §5.5005 is being proposed simultaneously with the proposed repeal of §5.9101.

The new proposed rules are necessary to reflect the amendments to Article 5.13-2 and to provide that all insurers including Lloyd's plans, reciprocals, and interinsurance exchanges will now be subject to rate regulation for commercial multi-peril insurance.

It is the department's interpretation that the legislative intent of the amendments is to provide uniform rate regulation of insurers. Prior to SB 14, county mutual insurance companies were exempt from rate regulation for commercial automobile insurance. SB 14 removed that exemption for county mutual insurance companies effective June 11, 2003. The Legislature intended to create a more competitive commercial automobile insurance market by uniformly regulating commercial automobile rates for all insurers.

The proposal is consistent with the amendments to Article 5.13-2 in that all authorized insurance companies, including Lloyds and reciprocals, that include commercial automobile coverage in a commercial multi-peril policy, are subject to the rate regulatory provisions of Article 5.13-2.

The public benefits anticipated as a result of the proposed section will be that the regulation of commercial multi-peril policies will conform to the regulatory changes enacted by SB 14. Additionally, the proposed section will promote the public welfare and price competition among insurers through the regulation of insurance rates that prohibits excessive, unfair, and inadequate rates.

*Publication: September 17, 2004*  
*Earliest adoption: October 17, 2004*  
*Additional information: 512 463-6326*

## **Title Insurance**

### **APA Adoption**

#### **Basic Manual**

- ▶ The Commissioner of Insurance has adopted amendments to the *Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas* and to the *Texas Title Insurance Statistical Plan*. The amended sections are adopted with changes to the proposed text as published in the August 6, 2004, issue of the *Texas Register* (29 TexReg 7645). There are also changes to the Statistical Plan, which is adopted by reference.

The amendments to the *Basic Manual* adopt a new form T-37A, Immediately Available Funds Procedure Agreement (Agent Designation for Federally-insured Lender), to include a designated agent of a federally-insured lender as a party to an agreement that defines procedures to make funds immediately available among a financial institution, a title company, and a federally-insured lender. The adopted new form will accommodate mortgage lending practices involving warehouse lenders while providing safeguards that funds are available.

In conjunction with the adopted new form, amendments have also been made to procedural rule P-27, Disbursement from Escrow or Trust Fund Accounts, to conform the language of this procedural rule for use with the new form. The amendments to the Statistical Plan update the codes and other reporting requirements that have occurred since the last two Texas Title Insurance Biennial hearings.

Adopting new forms and updated codes and reporting requirements will facilitate the administration and regulation of title insurance in this state and provide for more efficient reporting of statistical data by title companies.

*Publication: 29TexReg9196  
September 24, 2004  
Effective date: November 1, 2004  
Additional information: 512 463-6326*

## **Workers' Compensation**

### **APA Proposal**

#### **Negotiated Deductibles**

- ▶ The Texas Department of Insurance has proposed a new rule concerning hazardous conditions in connection with negotiated deductibles workers' compensation policies. This proposed section is necessary to identify conditions that may pose extraordinary risk to the solvency of insurers issuing these types of policies.

Negotiated deductibles are designed to give policyholders that are willing to assume more risk, full insurance coverage at a lower cost. In return, their employees are provided a full spectrum of workers' compensation benefits. However, an insurer's failure to take steps to ensure that the policyholder can meet its financial obligations may result in a hazardous financial condition for the insurer.

The proposed section sets forth the various conditions that the Department may consider to determine whether an insurer issuing negotiated deductible policies is in hazardous financial condition. Some of the proposed conditions the Department may consider include an insurer's failure to maintain security for any asset or credit taken against reserves or the failure to maintain gross premium data and first-dollar loss data for each negotiated deductible policy on a quarterly basis.

The presence of these conditions can be considered early warning signs of a hazardous financial condition. Identifying insurers with these factors will allow the Department to seek corrective action to address the hazardous condition and provide greater protection to the public.

*Publication: October 29, 2004  
Earliest adoption: December 29, 2004  
Additional information: 512 463-6326*



# Employer Participation in the Texas Workers' Compensation System: 2004 Estimates

**T**EXAS REMAINS the only state in the nation where workers' compensation insurance is truly elective for all private employers.<sup>1</sup> Those employers who purchase workers' compensation are often called "subscribers," while employers who choose not to are commonly referred to as "nonsubscribers" to the Texas workers' compensation system. While subscribers have immunity from most lawsuits under the no-fault provisions of the system, nonsubscribers do not have this protection and therefore are potentially liable to lawsuits brought by employees as a result of a work-related injury.

To gauge the current level of nonsubscription, as well as determine the reasons why Texas employers choose whether or not to purchase workers' compensation coverage, TDI's Workers' Compensation Research Group and the Public Policy Research Institute at Texas A&M University (PPRI) recently conducted a survey of 2,884 year-round Texas employers.<sup>2</sup> This survey represents the fifth study conducted by the State of Texas to estimate employer participation in the Texas workers' compensation system since the overhaul of the system in 1989.

## Employer Nonsubscription and Employee Coverage Estimates

As of August 2004, an estimated 38 percent of Texas employers did not carry workers' compensation coverage. This represents a slight increase from 2001 when an estimated 35 percent of Texas employers were nonsubscribers. While the employer nonsubscription rate has only increased slightly since 2001, the percentage of workers employed by nonsubscribing employers has significantly increased from an estimated 16 percent in 2001 to 24 percent in 2004 (see below).

This increase in non-covered workers is the result of certain large employers making the business decision to drop their workers' compensation coverage and become nonsubscribers as a result of increases in premiums and higher medical costs for workers' compensation claims. Looking at large employers (i.e., those with 500 or more employees), the level of nonsubscription rose from 14 percent in 2001 to 20 percent in 2004. It should be noted, however, that many nonsubscribing employers provide alternative workplace benefit programs for their workers.

### Employer Nonsubscription Rates and Employee Coverage Rates, 1993–2004

	1993	1995	1996	2001	2004
Percentage of Employers that are Nonsubscribers	44%	44%	39%	35%	38%
Percentage of Texas Workers Employed by Nonsubscribers	20%	21%	20%	16%	24%

**Note** *Nonsubscription estimates are only available in those years that the study was conducted.*

**Source** *Survey of Employer Participation in the Texas Workers' Compensation System, 1993 and 1995 from the Texas Workers' Compensation Research Center and the Public Policy Research Institute (PPRI) at Texas A&M University; 1996 and 2001 estimates from the Research and Oversight Council on Workers' Compensation and PPRI; and 2004 estimates from the Texas Department of Insurance Workers' Compensation Research Group and PPRI.*

### **Reasons Employers Purchase or Do Not Purchase Workers' Compensation Insurance**

Not surprisingly, the primary reason subscribers gave for why they continue to purchase workers' compensation coverage is their concern over potential lawsuits (30.1 percent of subscribing employers surveyed). Other important reasons subscribers gave for why they purchase workers' compensation insurance included: the employer's perception that their industry is high risk (11.4 percent); that workers' compensation insurance is required in order to obtain government contracts (11.0 percent); that subscribing employers had confidence in the administration of the Texas workers' compensation system (9.2 percent); and that employers are able to self-insure, use deductibles or other types of premium discounts to reduce workers' compensation insurance costs (8.9 percent). Workers' compensation premium costs continue to be the primary reason why nonsubscribers do not purchase workers' compensation coverage (37.9 percent of nonsubscribing employers surveyed). Other important reasons given by nonsubscribers included: the employer's perception that it had too few employees to warrant purchasing the coverage (21.1 percent); the fact that employers are not required to purchase workers' compensation insurance (9.8 percent); the perception that medical costs in the workers' compensation system are too high (4.9 percent); and the perception that the employer had too few on-the-job injuries to warrant purchasing the coverage (4.7 percent).

### **Workers' Compensation Insurance Costs**

Since cost is an important factor that employers consider when making a decision whether to purchase workers' compensation coverage, it is important to understand whether subscribing employers have experienced premium increases or decreases since their last policy renewal. Forty-four percent of subscribing employers surveyed said that they experienced an increase in their workers' compensation premium since their last policy renewal<sup>3</sup> (compared to 42 percent in 2001) and twenty-four percent of this forty-four percent said that their premium increase was more than 20 percent.

In addition, it appears that Texas employers have become more sensitive to premium increases since the last nonsubscription study in 2001. More than half (53 percent) of Texas employers said that they would consider dropping their workers' compensation coverage if their premiums went up by another 20 percent, compared to 48 percent of employers in 2001. It is important to note, however, that 24 percent of subscribing employers also said that regardless of premium increases, they would never consider dropping their workers' compensation coverage. When nonsubscribers were asked what percentage decline it would take to induce them to purchase workers' compensation coverage, 45 percent said that it would take a premium decrease of more than 20 percent to encourage them back into the workers' compensation system and 37 percent said that they would never consider purchasing workers' compensation coverage.

*Please see **Workers'Comp** on page 10*

# Senate Bill 14

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underwriting and rating guidelines were required to file their credit scoring models with TDI in September 2003. In March 2004, those companies were required to file their actuarial support for the differences in rates due to credit scores. TDI has been actively reviewing the models and their supporting data.

In studying how insurers use credit scoring, TDI has effectively “taken the walls off the black box” and now has a better understanding of credit models and how they work. TDI’s review has dispelled the myth that most credit models are essentially the same. For example, the model used by one company may contain only 10 variables and may be used for both auto and homeowners insurance. The model used by another company may contain 30 difference credit variables and the company may use separate auto and homeowners models. These models are now open to the public. To date, 25 separate credit scoring models have been filed for residential property policies, 18 of which are used by insurers in Texas. Thirty-two different models have been filed for private passenger automobile policies, 21 of which are in use in Texas.

In January 2004, credit scoring models were required to meet the consumer protection provisions of SB 14. Under rules adopted by TDI in November 2003, companies that use credit information must provide a disclosure statement to the consumer. The disclosure notifies potential policyholders if credit scoring will be used in rate setting and describes the consumers’s rights and protections.

Additional disclosure is required to state how credit scoring affected the policyholder and explain the customer’s right to appeal an adverse ruling that results in higher rates. The company must provide a contact telephone number for consumers to call to dispute inaccurate or prohibited information.

## Credit Scoring Study

The TDI is in the final stages of completing perhaps the most comprehensive study of credit scoring to date. The study will analyze whether the use of credit scoring results in a disproportionate impact on any class of individuals such as race, income, ethnicity, age, or gender.

TDI’s study is examining credit scoring in use by six companies. Data from more than 2 million policyholders is being used. This study is unique in that it examines information related to ethnicity and driving history at the policyholder level. TDI will present the findings and conclusions of this landmark study to the 79th Legislature in January 2005.

## File and Use

On Dec. 1, 2004, the Texas homeowners insurance industry will move from a system of “prior approval” to “file and use.” Considered a more modern approach to rate regulation, file and use enables insurers to file form and rate changes and immediately implement these changes without waiting for TDI approval. This should allow insurers to react swiftly to changing market conditions, as well as offer consumers a greater variety of rates and coverages that better meet their needs. TDI will retain review authority to ensure rates meet fair rating standards.

Time will tell the full impact of SB 14 on the homeowners insurance market but indications at the one-year mark are that the reforms are working as intended. Market stability, lower rates, and increased flexibility in rate files and products are some of the immediate benefits. In the long run, however, it is the application of fair rating standards to a level playing field that will be the long-lasting impact of this historic legislation. ☺





# Commissioner Testifies On Med Mal Experience

**T**HERE ARE MORE insurers writing medical malpractice insurance in Texas in September 2004 than were in the market just six months earlier, Texas Insurance Commissioner Jose Montemayor told the Senate State Affairs Committee on Sept. 20, 2004. The Committee had asked Montemayor to report on developments in the medical liability market since passage of House Bill 4 and Proposition 12 in 2003.

Montemayor told senators that there are now 13 new medical malpractice insurance carriers participating in the Texas market, up from 10 reported in April. Additionally, four companies have announced that they will expand or have expanded physician writings in Texas.

Montemayor noted that since passage of the reform measures, the Texas Medical Liability Insurance Underwriting Association (JUA), the insurer of last resort, had asked for a 35.8 percent increase and The Medical Protective Company (Med Pro) had filed a 19 percent increase. Both increases were disapproved. Med Pro subsequently moved its physicians to its purchasing group and implemented a 10 percent rate increase. TDI has since brought an enforcement action against Med Pro and a decision is currently pending before an administrative law judge.

Montemayor also said that medical liability insurers are dealing with a large influx of claims that began in June 2003 and ended in September 2003. These claims spiked in June, after passage of HB 4 but prior to its implementation. Elevated claim levels continued in July and August, with a larger spike occurring in September. Montemayor told senators that this claims spike must be taken into consideration but that TDI considered this an anomalous situation rather than a trend. As such, it should not be a factor in future rate mal

During a break in the Senate hearing, the Texas Medical Liability Trust, the largest writer of physicians' medical liability insurance in Texas, announced that it would be reducing its current rate by 5 percent. Combined with a 12 percent reduction earlier in the year, TMLT has reduced its rates by 17 percent in 2004. 🌟

## Summary

While the percentage of Texas employers who have chosen not to purchase workers' compensation coverage has only increased slightly from 35 percent in 2001 to 38 percent in 2004, the percentage of the Texas workforce not covered under the workers' compensation system has significantly increased over the same time period. Approximately one out of every four Texas workers (24 percent) does not have workers' compensation coverage in the event of a work-related injury, compared to only 16 percent in 2001. This shift in employee coverage rates is the direct result of certain large employers deciding to drop their workers' compensation coverage. A slightly higher percentage of subscribing employers have experienced an increase in their workers' com-

penetration premiums than in 2001 and as a result, employers are more sensitive to potential future premium increases. While premium costs continue to be the primary reason why nonsubscribing employers choose not to purchase workers' compensation coverage, the voluntary nature of the Texas system, the relatively small size of most nonsubscribing employers, and high workers' compensation medical costs, especially for large employers, are also key factors. To download an electronic copy of the results presented in this article, see <http://www.tdi.state.tx.us/general/pdf/wc0904est.pdf>. An analysis of the types of alternative income and medical benefits nonsubscribing employers offer their injured employees will be the focus of a future article. 📄

## Endnotes

- 1** Government employers (e.g., the State of Texas, cities, counties, school districts) are required by law to provide workers' compensation coverage to their employees. New Jersey is the only other state that does not require employers to purchase workers' compensation; however, due to the restrictive nature of its statute, virtually all employers have thus far chosen to do so.
- 2** For the purposes of this study, year-round employers were defined as those employers with reported wages in each of the last two quarters of 2003 and the first two quarters of 2004 according to data obtained from the Texas Workforce Commission. The Research Group utilized a random probability sample, stratified by industry and employment size for the study. Employer nonsubscription estimates have a +/- 2.4 percent margin of error at the 95th percent confidence interval.
- 3** In addition to the 44 percent of subscribers that said they experienced an increase in their workers' compensation premium, 43 percent said they experienced no change in their premium and 13 percent said they experienced a decrease in their workers' compensation premium since their last policy renewal.

# Illegal Fire Extinguisher Installer Charged

**O**N AUGUST 27, 2004, Bexar County District Attorney Susan Reed announced the arrest of David Lyons on 10 counts of Tampering with a Governmental Record, four counts of Securing the Execution of a Document by Deception and two counts of Theft \$1,500–\$20,000.

The charges arose out of allegations that Lyons engaged in unlicensed installation and service of fire extinguishers and fire extinguisher systems in Bexar County and the adjoining counties of Comal, Kendall, Medina, and Uvalde. Systems serviced or installed by Lyons may provide inadequate fire protection. Lyons' faulty work has been identified as a factor in at least one fire.

State Fire Marshal's Office (SFMO) Licensing Investigator Michael Rodriguez became involved in the investigation after receiving complaints from a fire extinguisher firm and a licensee that their fire extinguisher service tags and license numbers were being used to service and install fixed fire extinguisher systems without their knowledge or authorization.

The complainants became aware of the fraud when they were contacted by an insurance company in an effort to collect money for a claim paid on damages related to a fire at a hotel restaurant in Uvalde that caused approximately one million dollars in damage. It was reported that the fire extinguisher system protecting the kitchen failed to control the fire. No one was injured in that fire, but the hotel was occupied by guests at the time.

The investigation revealed that payment for extinguisher work was made to Lyons and not to the registered firm or the licensee indicated on the service tags. Lyons does not currently hold a valid license to work in the fire extinguisher industry; his license was revoked by the SFMO in 1999.

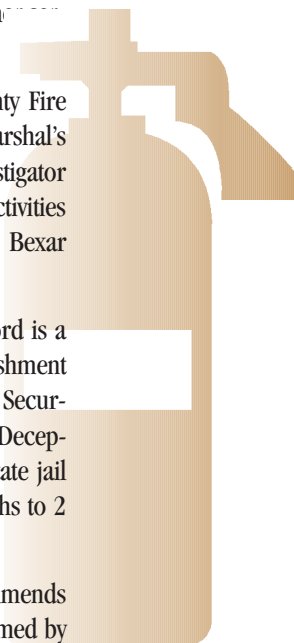
"Without prior knowledge of the illegal activities or a complaint from a property owner," Rodriguez explained, "the illegal work was difficult to detect because the extinguisher service tags were completed to appear as if a registered firm and a licensed individual performed the work. A fire extinguisher service tag is a governmental record."

With assistance from the Bexar County Fire Marshal's Office, San Antonio Fire Marshal's Office, and SFMO Chief Arson Investigator Tommy Sing, evidence of the illegal activities were obtained and presented to the Bexar County District Attorney's Office.

Tampering with a Governmental Record is a 2nd degree felony carrying a punishment range of 2 years to 20 years in prison. Securing the Execution of a Document by Deception and Theft \$1,500-\$20,000 are state jail felonies with a punishment of 6 months to 2 years in a State Jail Facility.

The State Fire Marshal's Office recommends that anyone that has had work performed by Lyons since March of 1999 should have their system inspected by a registered and licensed fire extinguisher firm to ensure proper functioning.

To ensure that firms and individuals providing fire extinguisher service are legitimate, the State Fire Marshal's Office recommends asking technicians to show their pocket license. You can also check the list of licensees in the State Fire Marshal's Office section of the Texas Department of Insurance web site or contact local fire officials. 📞



# TDI Business Development

## TDI's ECONOMIC DEVELOPMENT Roundtable Discussion

Group met at the Omni Mandalay-Las Colinas on September 9th for the second gathering of the group of industry and economic development leaders. The group's goal is to explore and identify new opportunities for collaboration on projects to encourage new business development in Texas. TDI was represented by Commissioner Jose Montemayor and Business Development Specialist Donna Reynolds. David Berzina from the Fort Worth Chamber of Commerce and Bill Sproull from the Greater Dallas Chamber (now with the Richardson Chamber) presented an overview of development activity they are seeing in the Dallas/Fort Worth area. Bill Wood with the PacifiCare Foundation offered an update on their community projects.

Each presenter was encouraged by the level of interest and concern that Roundtable participants exhibited for the economic health of Texas. Discussions confirmed that each Texas region has diverse concerns. Specific challenges unique to the Dallas/Fort Worth area identified in this meeting included: traffic and transportation, emission levels and the need for planned "work-where-you-live" developments. The Roundtable also discussed potential avenues for disseminating information

about foundations' philanthropic community development programs and insurance curriculum within local colleges and universities.

TDI also participated in the 2004 Texas Economic Development Council (TEDC) Annual Conference September 29–October 1 at the Hilton Lincoln Centre in Dallas.

The conference agenda featured speakers:

**Phil Wilson**, Deputy Chief of Staff,  
Office of the Governor

**Dr. Bob Helms**, Dean of the  
Erik Johnsson School of Engineering  
& Computer Science—University of Texas  
at Dallas.

**Jim Reid**, President of the Texas  
Mezzanine Fund, Inc. (a statewide  
community development financial  
institution)

**Andy Levine**, President of Development  
Counselors International

**Dr. Ray Perryman**, President and CEO  
of the Perryman Group

A recent TEDC report found, that in 2003, the Toyota Corporation's decision to locate a truck assembly plant in San Antonio created a momentum that resulted in several significant business development announcements including Texas Instruments in Richardson; Vought Aircraft in Grand Prairie; Home

Depot operations in Austin and New Braunfels; Maxim Semiconductor in San Antonio; and Citgo operations in Houston and Corpus Christi. "The TEDC reports that Texas has added over 112,000 jobs in 2004 and there are signs that this surge in job growth is only the beginning of a sustained growth trend," said Donna Reynolds. "New and expanded business, translates to a healthier market for insurance." 🌟

## InDiscipline

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Ahmad, Bassam	Sugarland	General Life, Accident and Health and General Property and Casualty Licenses revoked	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	40746	7/28/04
American General Life Insurance Company	Milwaukee WI	\$4,600 fine	Taught a continuing education course with an expired certificate	40724	7/21/04
Benchmark Title Services, L.L.C.	Plano	\$15,000 fine	Violated the minimum escrow accounting procedures and internal controls	40683	7/2/04
Brelsford, Donald	Houston	General Life, Accident and Health License and General Property and Casualty License revoked	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	40674	7/1/04



NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Bureau of Wholesale Sales Representatives	Atlanta GA	\$500,000 fine; Cease and Desist order	Unauthorized insurance	40725	7/21/04
Canada, Don; Evans, Paul; National Guild of Medical Professionals Health and Welfare Benefit Trust; Solidarity Health and Welfare Benefit Trust	Austin; Annapolis MD	\$75,000 fine	Unauthorized insurance	40717	7/16/04
Clientell, Inc.	Torrance CA	\$10,000 fine	Taught a continuing education course with an expired certificate	40761	8/3/04
Collier, Terry Lee	Spring	\$10,000 fine subject to a dollar-for-dollar reduction by restitution to \$2,000	Acted as an agent for unauthorized entities	40712	7/15/04
Continental Casualty Company; Valley Forge Life Insurance Company	Chicago IL; Armonk NY	\$5,000 fine; \$10,000 fine	Engaged in unfair and deceptive acts or practices; Violated insurance advertising laws	40700	7/14/04
Crawford, Troy	Roanoke	Adjuster Property and Casualty License revoked	Failed to comply with continuing education requirements	40702	7/14/04
Dale, Richard Page, Jr.	Fort Worth	\$42,000 fine; 3 year probated suspension of General Life, Accident and Health License	Materially misrepresented terms and conditions of an insurance policy; Twisted and used high pressure tactics in marketing Medicare Supplement Coverage to senior citizen consumers	40796	8/16/04
Darnell, Robert Eugene	Houston	\$2,500 fine subject to a dollar-for-dollar reduction by restitution to \$1,000	Acted as an agent for unauthorized entities	40696	7/14/04
Dibrell, Joe Charles	Greenville	Life, Accident and Health Agent License revoked	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	40675	7/1/04
Gervais, Sidney B.	Conroe	General Life, Accident, and Health License revoked	Failed to comply with continuing education requirements	40805	8/19/04
Gotopremiumfinance.com, L.L.C.	Woodland Hills CA	\$7,500 fine	Unauthorized insurance; Operated as a premium finance company prior to licensure	40738	7/28/04
Hall, Patrick	Houston	\$1,000 fine plus restitution	Acted as an agent for unauthorized entities; Misappropriated or converted money belonging to an insurer or insured	40773	8/9/04
Lancaster, Rebecca S.	Rapid City SD	Nonresident General Life, Accident, and Health License revoked	Engaged in fraudulent or dishonest acts or practices; Failed to notify TDI of an administrative action taken by another state insurance regulator	40684	7/2/04
Landrum, Steven Charles	Arlington	General Life, Accident, and Health License revoked	Engaged in fraudulent or dishonest acts or practices; Felony conviction directly related to the business of insurance	40727	7/21/04
Lowery, Nona B.	Carrizo Springs	\$3,600 fine	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	40765	8/4/04

Continued on page 14

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Millennium Solutions, Inc.	Waco	\$1,000 fine	Taught a continuing education course with an expired provider registration	40794	8/16/04
Mints, Wendell Lynn	Vernon	General Life, Accident, and Health License and General Property and Casualty License revoked	Engaged in fraudulent or dishonest acts or practices; Felony conviction directly related to the business of insurance	40726	7/21/04
Moore, Anthony Stephen; Shanandoah Benefits Group, L.L.C.	Murphy	\$3,000 fine; Restitution; General Life, Accident and Health License revoked; General Life, Accident and Health License application of Shanandoah Benefits Group, L.L.C. denied	Acted as an agent for unauthorized entities; Materially misrepresented terms and conditions of an insurance policy	40741	7/28/04
Moulden, Leigh Ann	Allen	General Life, Accident and Health License revoked	Failed to comply with continuing education requirements	40749	7/29/04
National States Insurance Company	Saint Louis MO	\$2,500 fine and cancellation of privileges to make exempt filings	Falsely certified that forms were in compliance; Delivered, issued and used non-compliant form	40697	7/14/04
Office and Professional Employees International Union; National Guild of Medical Professionals, Guild 45; Clinical Social Workers Guild 49	New York NY; Philadelphia PA; Selinsgrove PA	\$25,000 fine	Unauthorized insurance	40715	7/16/04
Packard, Donald Charles	Houston	Application for the General Life, Accident and Health License denied	Engaged in fraudulent or dishonest acts or practices; Attempted to obtain a license by fraud or misrepresentation; Felony conviction	40679	7/1/04
Patterson, James Alfred; Agape Healthcare Insurance Services Inc.; Agape Healthcare Partners, L.P.	Irving	Must submit regular reports of compliance with criminal probation	Felony offense involving moral turpitude	40795	8/16/04
Perez, Nelly Lara	San Angelo	Probated suspension of Limited Lines License	Engaged in fraudulent or dishonest acts or practices	40721	7/21/04
PPG Industries Inc.	Strongsville OH	\$12,000 fine	Taught a continuing education course with an expired certificate	40743	7/28/04
Rangel, Selvester Thomas	Garland	Probated suspension of General Life, Accident and Health License	Felony offense directly related to the business of insurance	40718	7/20/04
Reynolds, Rebecca Renee	Gladewater	Probated suspension of General Property and Casualty License	Felony offense	40804	8/19/04
Ridley, Crystal Louisa	San Antonio	General Property and Casualty License application denied	Engaged in fraudulent or dishonest acts or practices	40701	7/14/04
Rigdon, Kerry M.	Coppell	\$1,450 fine	Failed to comply with continuing education requirements	40739	7/28/04
Rivas, Lori Jane	Midland	General Life, Accident and Health License revoked	Failed to comply with continuing education requirements	40750	7/29/04
Royston, Rayzor, Vickery & Williams, L.L.P.	Houston	\$2,000 fine	Taught a continuing education course with an expired certificate	40698	7/14/04
Saenz, Adriana Q.	Pharr	Application for the County Mutual License Denied	Engaged in fraudulent or dishonest acts or practices; Felony conviction	40678	7/1/04
Schwab, Robert	Dallas	\$5,000 fine	Acted as an agent for unauthorized entities	40699	7/14/04

NAME	CITY	ACTION TAKEN	VIOLATION	ORDER	DATE
Sullivan, Jeffrey Michael	Houston	\$5,059 in fines and restitution; Probated suspension of General Life, Accident and Health License and General Property and Casualty License	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured	40723	7/21/04
Swindle, Girtha Marie	Shelbyville	\$500 fine	Failed to comply with continuing education requirements	40766	8/4/04
Thompson, Ouida Jean	Lubbock	\$750 fine; Probated suspension of General Property and Casualty License	Felony conviction directly related to the business of insurance; Made a material misrepresentation on a license application	40744	7/28/04
Trahan, Lynda Gail	Nederland	General Life, Accident and Health License revoked	Failed to comply with continuing education requirements	40728	7/21/04
Valles, Cathy Marie	San Antonio	Probated suspension of General Life, Accident and Health License and General Property and Casualty License	Engaged in criminal conduct involving moral turpitude	40722	7/21/04
Vanbremen, Joe Michael	Southlake	General Life, Accident and Health License, General Property and Casualty License and Managing General Agent License revoked	Engaged in fraudulent or dishonest acts or practices; Misappropriated or converted money belonging to an insurer or insured; Failed to notify TDI of an administrative action taken by another state	40732	7/23/04
Vicare Administrative Services, L.L.C.	Suffolk VA	\$50,000 fine and \$325,000 restitution	Unauthorized insurance	40716	7/16/04
Wages, Cody Hayden	Lubbock	Adjuster Property and Casualty License application denied	Engaged in fraudulent or dishonest acts or practices; Felony conviction related to the business of insurance	40745	7/28/04
Waren, Carl Dennis	Ashdown, AK	\$3,000 fine subject to a dollar-for-dollar reduction by restitution to \$1,000	Acted as an agent for unauthorized entities	40673	7/1/04
Williams, Bethany Lucille	Fredericksburg VA	General Property and Casualty License revoked	Engaged in fraudulent or dishonest acts or practices; Failed to notify TDI of an administrative action taken by another state insurance regulator	40680	7/1/04
Yates, Dwane A.	Frisco	\$8,854 fine	Failed to pay cost of audit as required	40740	7/28/04

## New Companies

COMPANY NAME	LOCATION	LINE	DATE LICENSED
Ohio Indemnity Company	Columbus OH	Property & Casualty	7/1/04
First Catholic Slovak Ladies Association of the United States of America	Cleveland OH	Fraternal Life	7/22/04
Tnus Insurance Company-Shell From Domestication	New York NY	Property & Casualty	7/28/04
Austin Mutual Insurance Company	Minneapolis MN	Property & Casualty	8/5/04
California Insurance Company	Sacramento CA	Property & Casualty	8/9/04
Actuarial Management Resources, Inc.-TPA	Winston-Salem NC	Third Party Administrator	8/12/04
Contractors Insurance Administrators, Inc. of Florida-TPA	Plantation FL	Third Party Administrator	8/12/04

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# InLicensing

## New Companies

COMPANY NAME	LOCATION	LINE	DATE LICENSED
Employee Benefit Services of Louisiana, Inc.–TPA	Shreveport LA	Third Party Administrator	8/12/04
Sequoia Insurance Company	Monterey CA	Property & Casualty	8/17/04
CHS Admin, LLC–TPA	Wilmington DE	Third Party Administrator	8/31/04
Employee Benefit Data Services Co.–TPA	Pittsburgh PA	Third Party Administrator	8/31/04
The Managing Agency Group, Inc.–TPA	Hartford CT	Third Party Administrator	8/31/04
NPD Dental Services, Inc.–TPA	Wilmington DE	Third Party Administrator	8/31/04
United Concordia Companies, Inc.–TPA	Harrisburg PA	Third Party Administrator	8/31/04

## Name Changes

COMPANY NAME	LOCATION	CHANGED TO	LOCATION	DATE OF CHANGE
ACS Health Administration, Inc.–TPA	Wilmington DE	Added dba Rewards Administration Center		7/15/04
Adviant, LLC–TPA	Dallas	Adviant, Inc.		7/15/04
Icon Benefit Administrators, Inc.–TPA	Lubbock	Icon Benefit Administrators II, L.P.		7/15/04
Scrip Solutions, INC.–TPA	Wilmington DE	Scrip Solutions, LLC		7/15/04
Texas Benefit Planning, Inc.–TPA	Dallas	The Pension Company		7/15/04
CNA Group Life Assurance Company	Chicago IL	Hartford Life Group Insurance Company		7/28/04
Ace Guaranty Corp.	Baltimore MD	Assured Guaranty Corp.		8/10/04
Sierra Insurance Company of Texas	Dallas	Cortlandt Insurance Company, Houston	Texas	8/17/04
Bankers Reserve Life Insurance Company of Wisconsin	Milwaukee WI	Added assumed name Superior Healthplan Network		8/19/04
Grace Presbyterian Village Ministries, dba Grace Presbyterian Village, Presbyterian Village-CCRC	Dallas	Grace Presbyterian Ministries, Inc.		8/30/04



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